



Consolidated Financial Statements

Fort Folly First Nation

March 31, 2019

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Management's responsibility for financial reporting

The accompanying consolidated financial statements and schedules of the Fort Folly First Nation are the responsibility of management and have been approved by the Chief and Council. For a small entity such as Fort Folly First Nation, there is not a clear line of distinction between management and Chief and Council as Chief and Council act in the capacity of managing the First Nation. As a result, management and Chief and Council can be considered the same.

The consolidated financial statements and schedules have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Band maintains systems of internal accounting and administrative controls of quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

The Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements and schedules have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the Council.

Chief Libeau Kneehan
Chief

John Kneehan
Councillor
J. Kneehan
Councillor

Independent auditor's report

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To the Chief and Council of Fort Folly First Nation

Qualified Opinion

We have audited the consolidated financial statements of Fort Folly First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, the consolidated statements of operations and surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the matter described in the Basis for qualified opinion paragraph below, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fort Folly First Nation as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Fort Folly First Nation does not have a formal budgeting process in place, including approval of the presented budgets, which constitutes a departure from Canadian public sector accounting standards. As a result, we were not able to obtain sufficient appropriate audit evidence for the budgeted figures and have not been able to determine the extent of any adjustments required.

Other matter

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The schedule 5 included on pages 17 to 20 are presented for the purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, on the audit of the financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Thuro, Canada
July 18, 2019

Chartered Professional Accountants
Licensed Public Accountants

Fort Folly First Nation
Consolidated statement of operations and surplus

Year ended March 31	Budget 2019	Actual 2019	Actual 2018
Revenues			
Government transfers (Note 2)	\$ 885,400	\$ 1,491,994	\$ 2,897,807
Other revenues (Note 2)	675,000	1,460,977	1,890,607
Total revenues	1,560,400	2,952,971	4,788,414
Expenditures			
Amortization	122,281	259,703	236,140
Bad debts		39,445	68,586
Bait and other	25,000	47,198	39,123
Basic needs	35,000	28,553	38,264
Brighter futures	12,000	35,745	12,546
Community health program	1,000	31,027	22,618
Cultural education	13,000	6,641	10,924
Diesel fuel - vessels	65,000	23,837	64,391
Economic grants and other	10,000	12,742	35,017
Equipment lease	10,000	3,404	5,018
Fishing supplies and quotas	112,500	32,902	1,166,303
Forestry contracts		28,228	14,936
Honorariums	21,600	36,000	36,000
In-home care	14,000	16,573	13,319
Insurance	31,800	67,621	64,897
Interest and bank charges	2,500	11,038	8,119
Interest on long term debt	20,000	24,485	28,556
Office supplies	8,380	13,369	15,296
Professional fees	72,500	73,738	85,571
Property taxes	8,000	8,660	7,197
Repairs and maintenance			
Buildings and other	48,000	261,722	404,207
Vessels	70,000	80,993	29,043
Salmon recovery – supplies and training	6,187	105,637	152,866
Special needs	4,000	19,250	14,797
Sundry	27,387	58,494	54,061
Travel and vehicle operating	83,690	208,414	124,635
Tuition	45,000	88,796	62,014
Tutoring and allowances	8,500	14,014	8,393
Utilities	35,400	61,023	65,531
Wages and benefits	640,165	1,210,532	1,143,791
Water testing	7,500	7,000	9,503
Total expenditures	1,560,400	2,916,785	4,041,663
Annual surplus	\$ -	\$ 36,186	\$ 746,751
Accumulated surplus, beginning of year		2,903,288	2,156,537
Accumulated surplus, end of year		\$ 2,939,474	\$ 2,903,288

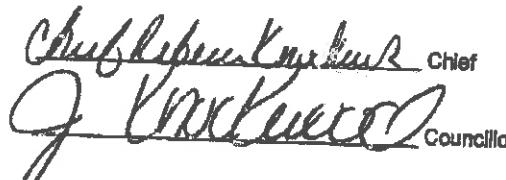
See accompanying notes to the consolidated financial statements

Fort Folly First Nation
Consolidated statement of financial position
March 31

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 929,421	\$ 483,241
Restricted cash		
Trust fund	8,061	8,956
Replacement reserve fund (Note 10)	96,599	102,000
Receivables (Note 3)	<u>152,880</u>	<u>786,453</u>
	<u>1,187,961</u>	<u>1,360,650</u>
Financial liabilities		
Payables and accruals (Note 4)	58,711	121,556
Deferred revenue (Note 5)		
Long term debt – capital (Note 6)	480,496	57,569
	<u>480,496</u>	<u>612,649</u>
	<u>639,307</u>	<u>791,774</u>
Net financial assets (Page 8)	<u>648,654</u>	<u>568,876</u>
Non-financial assets		
Tangible capital assets (Note 7)	2,258,282	2,301,844
Prepays (Note 8)	<u>32,568</u>	<u>32,568</u>
	<u>2,290,820</u>	<u>2,334,412</u>
Surplus (Note 8)	<u>\$ 2,938,474</u>	<u>\$ 2,903,288</u>

Contingencies (Note 11)

On behalf of the Band

 Chief
 Councillor
 Councillor

See accompanying notes to the consolidated financial statements

Fort Folly First Nation
Consolidated statement of changes in net financial assets

<u>Year ended March 31</u>	<u>Budget</u> <u>2019</u>	<u>Actual</u> <u>2019</u>	<u>Actual</u> <u>2018</u>
Annual surplus	\$ _____	\$ <u>36,186</u>	\$ <u>746,751</u>
Acquisition of tangible capital assets	-	(216,111)	(1,027,326)
Amortization of tangible capital assets	_____	<u>259,703</u>	<u>236,140</u>
	_____	<u>43,592</u>	<u>(791,186)</u>
Change in prepaid expenses, net	_____	_____	<u>49,025</u>
Change in net financial assets	\$ _____	<u>79,778</u>	4,590
Net financial assets, beginning of year	_____	<u>568,876</u>	<u>564,286</u>
Net financial assets, end of year	\$ <u>648,654</u>	\$ <u>568,876</u>	

See accompanying notes to the consolidated financial statements

Fort Folly First Nation
Consolidated statement of cash flows
Year ended March 31

	2019	2018
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 36,186	\$ 748,751
Amortization	<u>259,703</u>	<u>238,140</u>
	<u>255,889</u>	<u>682,891</u>
Change in non-cash working capital		
Receivables	613,573	(248,483)
Payables and accruals	(62,845)	49,172
Deferred revenue	(57,869)	(918,881)
Prepays	<u>49,025</u>	<u>(86,276)</u>
	<u>789,048</u>	<u>(86,276)</u>
Investing		
Acquisition of tangible capital assets	(216,111)	(1,027,326)
Restricted cash and deposits	<u>5,286</u>	<u>(7,849)</u>
	<u>(210,815)</u>	<u>(1,035,175)</u>
Financing		
Proceeds from:		
Long term debt - capital	*	389,800
Repayment of:		
Long term debt - capital	(132,053)	(100,465)
	<u>(132,053)</u>	<u>289,335</u>
Increase (decrease) in cash and cash equivalents	446,180	(832,116)
Opening, cash and cash equivalents	483,241	1,315,357
Closing, cash and cash equivalents	\$ 929,421	\$ 483,241

See accompanying notes to the consolidated financial statements

Fort Folly First Nation

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies

Principles and basis of consolidation

The consolidated financial statements of Fort Folly First Nation (the "First Nation") are the representations of management prepared in accordance with Canadian accounting standards for local governments as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the First Nation are as follows:

Consolidation

These consolidated financial statements consolidate the assets, liabilities and results of operations of the First Nation's reporting entity.

The various operations of the First Nation have been amalgamated for the purpose of presentation in the consolidated financial statements. Fort Folly First Nation maintains the following operations:

- General operations which reports the general activities of the First Nation administration including Band support, social services, education, operations capital, operating and maintenance, economic development, community health and welfare, employment training, and miscellaneous.
- The Band housing projects which report the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned and controlled by Fort Folly First Nation and held by third parties.
- Fort Folly Fisheries which reports the First Nation's commercial fishing operation.

Revenue recognition

Unconditional and conditional transfers from other governments for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until the conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer is authorized.

All non-government contributions or grant revenues that are externally restricted for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted revenues not yet used for the purpose or purposes specified are reported as deferred revenues.

Fishing and forestry revenues are recognized as revenues when product is sold and when services are provided if the amounts can be reasonably estimated and collection is reasonably assured.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires the First Nation's management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from those reported. Estimates include depreciation of tangible capital assets and allowances on receivables.

Cash and cash equivalents and restricted cash balances

Cash and cash equivalents include cash on hand, balances with banks and term deposits, net of any bank overdraft. Bank borrowings are considered to be financing activities.

Restricted cash balances include separate restricted cash balances for the Trust Fund and the Replacement Reserve Fund (See Note 10).

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial liabilities for the year.

Fort Folly First Nation
Notes to the consolidated financial statements
March 31, 2019

1. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Housing	4%, straight-line
Water system	4%, straight-line
Roads	8%, straight-line
Housing – CMHC Section 95	Debt reduction
Building	4%, straight-line
Office equipment	30% & 55%, straight-line
Equipment	20%, straight-line
Vehicles	30%, straight-line
Fishing boats	15%, straight-line

A half year of amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

2. Revenues

	<u>2019</u>	<u>2018</u>
Government transfers		
Atlantic Salmon Recovery Foundation	\$ 30,053	\$ 30,500
Canada Mortgage and Housing Corporation	14,976	81,485
Canada Wildlife	13,950	33,950
Canadian Heritage		23,078
Environment Canada	199,217	197,864
Fisheries and Oceans Canada	288,756	820,303
Indigenous Services Canada	585,985	1,389,438
Indigenous Services Canada – First Nations and Inuit Health Branch		
Parks Canada	288,344	275,856
Summer Student Grant	21,985	21,985
	<u>38,750</u>	<u>23,568</u>
	<u>1,491,994</u>	<u>2,897,807</u>
Other revenues		
First Nation Education Initiative		
Fishing	40,000	40,000
Forestry	966,726	1,198,705
HST rebates - Gipco Tobacco & Gasoline Inc. (net)	47,625	37,706
Interest income	57,082	81,657
North Shore Micmac District Council	8,784	15,132
Rent	79,764	78,812
Sundry	16,700	12,700
Wood E&IS	187,298	349,493
	<u>76,999</u>	<u>66,402</u>
	<u>1,460,977</u>	<u>1,890,607</u>
	<u>\$ 2,952,971</u>	<u>\$ 4,788,414</u>

Fort Folly First Nation
Notes to the consolidated financial statements

March 31, 2019

3. Receivables	2019	2018
Confederacy of Mainland Mi'kmaq	\$ 16,206	\$ 18,000
Environment Canada	44,200	9,801
Fisheries and Oceans Canada	53,703	560,871
HST		58,939
Indigenous Services Canada		18,000
Indigenous Services Canada – First Nations and Inuit Health Branch	16,410	
New Brunswick Wildlife Trust	6,975	
North Shore Micmac District Council	3,758	
Recovery student dollars	7,500	
Sundry	4,128	100,842
	\$ 152,880	\$ 766,453

4. Payables and accruals	2019	2018
Trade payables	\$ 18,528	\$ 103,055
Accruals	14,440	14,440
Employee benefits payable	25,743	4,061
	\$ 58,711	\$ 121,556

5. Deferred revenue	2019	2018
Indigenous Services Canada		
Beginning of year	\$ 57,569	\$ 976,450
Funding received	538,416	470,557
Revenue recognized	(595,985)	(1,389,438)
Total deferred revenue		\$ 57,569

Fort Folly First Nation
Notes to the consolidated financial statements
March 31, 2019

6. Long term debt - capital	2019	2018
C.M.H.C. loan, payable in monthly instalments of \$280 Including principal and interest at 1.11%, secured by a Band Council resolution and guarantee from Indigenous Services Canada, matures April 2021 and amortized to January 2026.	\$ 22,113	\$ 25,210
C.M.H.C. loan, payable in monthly instalments of \$343 Including principal and interest at 1.43%, secured by a Band Council resolution and guarantee from Indigenous Services Canada, matures April 2022 and amortized to April 2027.	31,397	35,036
C.M.H.C. loan, payable in monthly instalments of \$303 Including principal and interest at 1.86%, secured by a Band Council resolution and guarantee from Indigenous Services Canada, matures April 2024 and amortized to March 2029.	33,210	36,195
C.M.H.C. loan, payable in monthly instalments of \$398 Including principal and interest at 2.52%, secured by a Band Council resolution and a guarantee from Indigenous Services Canada, matures September 2023 and amortized to September 2033.	57,689	60,950
C.M.H.C. loan, payable in monthly instalments of \$301 Including principal and interest at 1.83%, secured by a Band Council resolution and a guarantee from Indigenous Services Canada, matures December 2019 and amortized to November 2034.	49,183	51,882
C.M.H.C. loan, payable in monthly instalments of \$380 Including principal and interest at 2.39%, secured by a Band Council resolution and guarantee from Indigenous Services Canada, matures March 2023 and amortized to February 2033.	54,052	57,290
3.49% Chrysler vehicle loan, payable in monthly instalments of \$680 Including principal and interest, maturing March 2022.	23,851	30,871
Uinooweg term loan, payable in monthly instalments of \$2,590 including principal and interest at 8%, secured by marine vessel "Sassy Sue ON: 823286", matures April 2022 and amortized to April 2027.	209,411	226,401
Uinooweg term loan, repaid in full in the year.	—	88,724
	<u>\$ 480,596</u>	<u>\$ 812,649</u>

Principal repayments in each of the next five years are due as follows:

2020	\$ 44,938
2021	47,254
2022	49,723
2023	169,014
2024	20,845

Fort Folly First Nation
Notes to the consolidated financial statements
March 31, 2019

7. Tangible capital assets

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Infrastructure and social				
Land	\$ 91,333	\$ -	\$ 91,333	\$ 83,833
Land improvements	7,269	5,092	2,177	2,469
Water system	992,497	244,457	748,040	731,339
Roads	168,855	-	168,855	168,855
CMHC houses section 95	557,175	198,784	358,391	377,321
Houses	218,795	64,754	154,041	152,185
Building salmon recovery program	142,448	89,851	52,497	58,195
Main office	361,989	184,467	177,522	120,143
CBC Building	15,206	-	15,206	6,540
Operational equipment	268,086	246,962	21,124	36,174
Equipment	32,900	9,870	23,030	29,610
Office equipment	122,684	121,434	1,250	2,749
	<u>2,979,237</u>	<u>1,165,771</u>	<u>1,813,466</u>	<u>1,769,413</u>
Fisheries				
Land	41,439	-	41,439	41,439
Building	181,540	54,542	126,998	134,260
Boats and gear	590,393	380,468	209,925	220,290
Vehicles	441,114	374,690	66,424	136,442
	<u>1,254,486</u>	<u>809,700</u>	<u>444,786</u>	<u>532,431</u>
	<u>\$ 4,233,723</u>	<u>\$ 1,975,471</u>	<u>\$ 2,268,262</u>	<u>\$ 2,301,844</u>

8. Prepaid

	<u>2019</u>	<u>2018</u>
Prepaid insurance	\$ 6,991	\$ 5,991
Tuition fees	<u>28,577</u>	<u>28,577</u>
	<u>\$ 32,568</u>	<u>\$ 32,568</u>

9. Surplus

	<u>2019</u>	<u>2018</u>
The surplus balance is comprised of the following:		
Operating surplus	\$ 1,055,757	\$ 1,115,136
Replacement Reserve Fund	97,000	90,000
Equity in Trust Fund	<u>9,061</u>	<u>8,956</u>
Investment in tangible capital assets	<u>1,161,818</u>	<u>1,214,092</u>
	<u>1,777,656</u>	<u>1,889,196</u>
	<u>\$ 2,939,474</u>	<u>\$ 2,903,288</u>

Fort Folly First Nation
Notes to the consolidated financial statements
March 31, 2019

10. Replacement reserve fund

Under the terms of the agreement with the C.M.H.C., the replacement reserve account is to be credited in the amount of \$7,000 annually. These funds along with accumulated interest must be held in a separate interest bearing bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the C.M.H.C. from time to time. No interest was earned on the reserve balance during the year. The funds in the account may only be used as approved by the C.M.H.C. Withdrawals are credited to principal first and then interest. At year end, the funds in reserve consisted of the following:

	2019	2018
Cash	\$ 96,599	\$ 102,000

As at March 31, 2019, there was a deficit of \$401 (2018 - surplus of \$12,000) in this account. Subsequent to year end, the deficit of \$401 was transferred from the operating reserve account.

11. Contingencies

- (a) The Band has entered into contribution agreements with various funding agencies, which are subject to repayment if the Band fails to comply with the terms and conditions of these agreements.
- (b) As at March 31, 2019, the Fort Folly First Nation is contingently liable to Canada Mortgage and Housing Corporation in the amount of \$nil (2018 - \$28,750) for two loans to Band members, under the Residential Rehabilitation Assistance Program (RRAP).
- (c) The housing projects do not calculate their rental income in accordance with sub-paragraph 2(S) of the operating agreement with C.M.H.C. In addition, C.M.H.C. may determine certain expenditures to be not eligible in determining the accumulated surplus/deficit of the housing projects, if such expenditures are not in accordance with the agreement. Failure to comply with the terms and conditions of the agreement could result in repayment of excess subsidies as well as discontinuance of all Federal assistance.

12. Economic dependence

The Fort Folly First Nation receives a major portion of its revenues pursuant to funding agreements with various governments.

13. Employee benefits

- (a) The First Nation contributes to a defined contribution plan on behalf of its employees. The assets of the plan are held separately from those of the First Nation in independently administered funds. Contributions paid and expensed by the First Nation in the current year amounted to \$32,834 (2018 - \$28,015).
- (b) The First Nation remits Band Employee Benefits on behalf of employees. As at March 31, 2019 the amount payable is \$25,743 (2018 - \$4,081).

Fort Folly First Nation
Notes to the consolidated financial statements
March 31, 2019

14. Related party transactions

During the year, the First Nation received \$57,082 (2018 - \$91,897) in tax rebates from Giffo Tobacco & Gasoline Inc., a company owned by the Chief and a former Councillor, under a business arrangement to share in tax rebates from the Province of New Brunswick from the operations of the gas bar.

16. Subsequent event

Subsequent to year end, the First Nation sold one of their fishing boats, "Sassy Sue", for \$100,000 and entered into an agreement to purchase a new fishing boat, costing approximately \$500,000, to be financed through a combination of debt and operating surplus.